

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58204

MASON COUNTY FIRE DISTRICT NO. 2

Mason County, Washington

January 1, 1993 Through December 31, 1995

Issue Date: May 16, 1997

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MASON COUNTY FIRE DISTRICT NO. 2
Mason County, Washington
January 1, 1993 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

Board Chairman
Mason County Fire District No. 2
Belfair, Washington

We have audited the financial statements, as listed in the table of contents, of Mason County Fire District No. 2, Mason County, Washington, as of and for the fiscal years ended December 31, 1995, 1994, and 1993, and have issued our report thereon dated February 28, 1997.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the district complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance of regulatory requirements immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the board chairman and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 28, 1997

MASON COUNTY FIRE DISTRICT NO. 2
Mason County, Washington
January 1, 1993 Through December 31, 1995

Schedule Of Findings

1. Ambulance Billing Internal Controls Should Be Improved

Mason County Fire District No. 2 receives more than \$175,000 per year in revenue from ambulance fees. The billing and accounts receivable system, including write-offs, was contracted out to Systems Design, a private company. Ambulance billings have a fairly high rate of disallowed costs by insurance companies and a large number of uncollectible accounts. This sometimes created a situation where the amount finally received by the district was less than what the district billed the patient. The district received summary information from Systems Design, such as number of patients billed, amounts of cash receipted, and accounts written off. However, the district did not receive enough information to reconcile the number of emergency calls answered by the district, and their subsequent billing, with the revenue eventually received through Systems Design.

RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

The lack of segregation of billing and accounts receivable functions, combined with the lack of district oversight and a high rate of disallowed costs and uncollectible accounts, could lead to errors or irregularities which would not be detected.

The district contracted the ambulance billing and receipting system because it was determined to be cost effective.

We recommend the district determine a method to reconcile their patient billings with the information provided by Systems Design.

Auditee's Response

We have met with the subcontractor and discussed the issue. We evaluated other districts' accounting and billing procedures. We then hired a computer consultant to refine our accounting and incident reporting system. In addition to patient name and billing date, we have assigned a unique identification number to the bill. Systems Design provides the Fire District a detailed monthly report by patient name, unique identification number and billing amount. We receive a detailed report from our

subcontractor that references both the name and unique ID number to determine that the patients are getting accurately billed, the write-off amount per medicare and insurance company regulations is accurate and actual amount collected. We believe this should resolve this issue.

Auditor's Concluding Remarks

We appreciate the district officials' commitment to resolve the issues noted in our finding. Based on their response, the recommendations are being addressed and we will review these areas again in our next audit of the district.

We wish to thank the district personnel and management for their cooperation and assistance during the audit.

MASON COUNTY FIRE DISTRICT NO. 2
Mason County, Washington
January 1, 1993 Through December 31, 1995

Status Of Prior Findings

The finding contained in the prior audit report was resolved as follows:

1. Payment Should Be Made For The Use Of District Facilities By Outside Interest

Resolution: *The district is now charging for the use of its fire hall.*

MASON COUNTY FIRE DISTRICT NO. 2
Mason County, Washington
January 1, 1993 Through December 31, 1995

Independent Auditor's Report On Financial Statements

Board Chairman
Mason County Fire District No. 2
Belfair, Washington

We have audited the Schedule of Cash Activity, Schedule of Investments, and Schedule of Long-Term Debt, of the various funds of Mason County Fire District No. 2 of Mason County, Washington, listed in the financial statements, for the fiscal years ended December 31, 1995, 1994, and 1993. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, Mason County prepares financial statements on behalf of the district on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A substantial portion of the revenues of Mason County Fire District No. 2 consists of locally collected charges and fees. It was not practicable to satisfy ourselves with respect to these revenues beyond the amounts recorded by the county as received.

In our opinion, except for the effect, if any, of the matters discussed in the preceding paragraph, and except that omitted disclosures might influence a user's conclusions about the district's transactions, the accompanying financial statements present fairly the cash and investment transactions and the long-term bonded indebtedness of the funds of the district for the fiscal years ended December 31, 1995, 1994, and 1993, on the prescribed basis of accounting.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 28, 1997